

**PRZEDSIĘBIORSTWO MODERNIZACJI  
URZĄDZEŃ ENERGETYCZNYCH  
REMAK S.A.  
OPOLE, UL ZIELONOGÓRSKA 3**

**FINANCIAL STATEMENTS  
FOR THE 2008 FINANCIAL YEAR  
WITH  
AUDITOR'S OPINION  
AND  
AUDIT REPORT**

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### **FINANCIAL STATEMENTS OF PRZEDSIĘBIORSTWO MODERNIZACJI URZĄDZEŃ ENERGETYCZNYCH REMAK S.A. FOR THE 2008 FINANCIAL YEAR**

1. Introduction
2. Balance sheet
3. Profit and loss account
4. Statement of changes in equity
5. Cash flow statement
6. Additional information and explanations

### **THE REPORT ON THE COMPANY'S ACTIVITIES**

## AUDITOR'S OPINION

### To the Shareholders and Supervisory Board of Przedsiębiorstwo Modernizacji Urządzeń Energetycznych REMAK S.A.

We have audited the attached financial statements of Przedsiębiorstwo Modernizacji Urządzeń Energetycznych REMAK S.A. (REMAK S.A.) with registered office in Opole, ul. Zielonogórska 3, including:

- introduction to the financial statements;
- balance sheet prepared as of 31 December 2008, with total assets and liabilities plus equity of PLN 92,218 thousand;
- profit and loss account for the period from 1 January 2008 to 31 December 2008, disclosing a net profit of PLN 4,711 thousand;
- statement of changes in equity for the period from 1 January 2008 to 31 December 2008, disclosing an increase in equity of PLN 4,823 thousand;
- cash flow statement for the financial year from 1 January 2008 to 31 December 2008, showing a cash inflow of PLN 1,524 thousand;
- additional information and explanations.

Preparation of these financial statements has been the responsibility of the Company's Management Board. Our responsibility was to audit and express an opinion on the fairness, correctness and clarity of these financial statements and the correctness of the underlying accounting records.

Our audit has been planned and performed in accordance with:

- section 7 of the Accounting Act of 29 September 1994 (Dz.U. of 2002 No. 76, item 694 with subsequent amendments);
- auditing standards issued by the National Council of Statutory Auditors in Poland,

in such a way as to obtain a reasonable and sufficient basis for expressing an opinion as to whether the financial statements are free of material misstatements. Our audit included in particular examining – largely on a test basis – the accounting evidence and records supporting the amounts and disclosures in the financial statements, assessing the accounting principles (policy) applied, the estimates made by the Company's Management Board, as well as evaluating the overall presentation of the financial statements.

We believe that our audit provides a sufficient basis for our opinion.

Deloitte Audyt Sp. z o. o.  
FOR IDENTIFICATION  
PURPOSE ONLY

In our opinion, the audited financial statements of REMAK S.A. for the 2008 financial year, in all material respects, were prepared:

- in form and content complying with the requirements of the Accounting Act of 29 September 1994 and the Company's by-laws;
- in accordance with the accounting principles defined by the Accounting Act and the Company's accounting policy;
- based on properly kept accounting records;
- in accordance with the Minister of Finance's Ordinance of 18 October 2005 on the scope of information disclosed in financial statements and consolidated financial statements, required in the prospectuses for issuers with registered offices in the Republic of Poland, which should apply Polish Accounting Standards (Dz.U. No. 209 item 1743), as well as the Minister of Finance's Ordinance of 19 October 2005 on the ongoing and periodic information provided by the issuers of securities (Dz. U. No 209 item 1744);

and give a true and fair view of all the information essential for evaluating the economic and financial position of the audited Company as at 31 December 2008 and its financial result for the period from 1 January to 31 December 2008.

The Report on the Company's activities for the 2008 financial year is complete within the meaning of Article 49 clause 2 of the Accounting Act as well as the Minister of Finance's Ordinance of 19 October 2005 on the ongoing and periodic information provided by the issuers of securities and consistent with underlying information disclosed in the audited financial statements.

.....  
Wojciech Baucz  
Certified auditor  
No 10937/7882

.....  
Represented by

.....  
entity authorized to audit  
financial statements entered under  
number 73 on the list kept by  
National Council of Statutory Auditors

Warsaw, 12 February 2009

***The above audit opinion together with audit report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.***

Deloitte Audyt Sp. z o. o.  
FOR IDENTIFICATION  
PURPOSE ONLY

**REPORT SUPPLEMENTING THE OPINION ON THE AUDIT  
OF THE FINANCIAL STATEMENTS OF PRZEDSIĘBIORSTWO  
MODERNIZACJI URZĄDZEŃ ENERGETYCZNYCH REMAK S.A.  
FOR THE 2008 FINANCIAL YEAR**

**I. GENERAL INFORMATION**

**1. Details of the audited Company**

The company operates under the name Przedsiębiorstwo Modernizacji Urządzeń Energetycznych REMAK S.A. The Company's registered office is located in Opole, ul. Zielonogórska 3.

The Company operates as a joint stock company incorporated by the notarized deed of 29 November 1993 before Paweł Błaszczak, Notary Public in Warsaw (Repertory A No. 11896/93).

The Company was registered in the Commercial Register kept by the District Court in Opole, V Business-Registry Division, section B under number RHB 2015, based on the decision of 1 December 1993. Currently, the Company is recorded in the Register of Entrepreneurs kept by the District Court in Opole, VIII Business-Registry Division under number KRS 0000021123.

The Company has the following tax identification number NIP: 754-00-13-369 assigned by the Tax Office in Opole on 22 December 1993.

The REGON number assigned to the Company by the Statistical Office on 11 February 1994 is 530916125.

The Company operates based on the provisions of the Code of Commercial Companies.

In accordance with its by-laws, the scope of the Company's business activities includes:

- manufacture of metal prefabricated structures, excluding service activities;
- manufacture of metal structures, excluding service activities;
- services related to installation of metal structures;
- production of metal elements of construction carpentry elements;
- manufacture of metal cisterns, containers and tanks;
- production of heaters and central heating boilers;
- manufacture of steam generators;
- services related to installation, repair and maintenance of steam generators (except for hot water central heating boilers);
- treatment and coating of metals;
- mechanical working of metal elements;
- manufacture of engines and turbines, except for aircraft, motor-car and motor-cycle engines;
- manufacture of other general use plant, not classified elsewhere;
- manufacture of electric engines, power generators and transformers;
- production of electric energy distribution and control apparatus;
- disassembly and demolition of structures; earth works;
- General construction work connected with erecting buildings;
- general construction work on line structures;
- general construction work on line distribution structures: pipelines, electric energy lines and local telecommunication lines;
- general construction work on mining and production facilities;
- general construction work on engineering facilities, not classified elsewhere;

- construction works related to assembly and construction of prefabricated buildings and structures;
- roofing and roof structures;
- erection of scaffolding;
- foundation works;
- general construction work related to erection of steel structures;
- building masonry work;
- specialized construction work, not classified elsewhere;
- electrical installations in buildings and structures;
- electrical signalization installations;
- other electrical installations;
- general construction insulation work;
- HVAC installations;
- water-sewage installations;
- gas installations;
- other building installations;
- plastering;
- carpentry work;
- flooring; wallpapering and plastering of walls;
- painting;
- glazing;
- other construction finish work;
- lease of construction and demolishing equipment with operators;
- freight road transport using specialized vehicles;
- freight transport by road using general-purpose vehicles;
- rental of trucks with drivers;
- transshipment of goods;
- warehousing and storage of goods;
- development and sale of real property on own account;
- buying and selling of real property on own account;
- rental of real property on own account;
- rental of other road transportation vehicles;
- rental of construction machines and equipment;
- technical research and analyses.

In the audited period, the Company conducted activity in the area of installation and repair of steam generators (except for central heating hot water boilers); production and installation of metal structures; technical research and analyses, water-sewage installations as well as real property rental for own use.

As of 31 December 2008, the Company's share capital amounted to PLN 7,500 thousand and was divided into 3,000,000 ordinary shares with a face value of PLN 2.5 each. As of 8 April 2008 (the date of the last Shareholders' Meeting) the Company's shareholders included:

- Mostostal Warszawa S.A.– 39.31% of shares;
- Mostostal Płock S.A.– 9.99% of shares;
- PTE PZU S.A. on behalf of OFE PZU "Złota Jesień" – 6.32% of shares.

Additionally, on 28 February 2007 Legg Mason Zarządzanie Aktywami S.A. informed Remak S.A. about entering the 10% threshold and gaining the right to exercise the right of vote applicable to 15.21% of shares. After the date of that notification Legg Mason Zarządzanie Aktywami S.A. had not informed the Company about any changes to the number of shares bearing the right to vote.

As compared to the changes in the report for 2007 no significant changes to the structure of major shareholding packages of the Company took place in 2008.

Remak S.A.'s shares are traded on the Warsaw Stock Exchange. As at the balance sheet date, the Company did not have detailed information on changes in the share capital shareholder structure in respect of shareholders with less than 5% interest.

No changes in the Company's share capital took place during the audited period and by the balance sheet date.

As of 31 December 2008, the Company's equity amounted to PLN 33,649 thousand.

The Company's financial year is the calendar year.

The Company has the following related parties:

- Mostostal Warszawa S.A. - holding company.

As at the opinion date, the composition of the Company's Management Board was as follows:

- Marek Brejwo - Chairman of the Board;
- Zbigniew Cudek - Vice Chairman of the Board;
- Aleksandra Kowalska - Vice Chairman of the Board;
- Adam Rogala - Vice Chairman of the Board.

The following change in the composition of the Company's Management Board took place in the audited period:

- on 30 September 2008 the Company's Supervisory Board appointed Zbigniew Cudek the Vice Chairman of the Board effectively as of 1 December 2008.

## **2. Information on the financial statements for the previous financial year**

The activities of the Company in 2007 resulted in a net loss of PLN 2,834 thousand. The Company's financial statements for the 2007 financial year were audited by a certified auditor. The audit was performed by authorized entity Deloitte Audyt Sp. z o.o. The certified auditor issued an unqualified opinion on these financial statements on 12 February 2008.

The General Shareholders' Meeting which approved the financial statements for the 2007 financial year was held on 8 April 2008. The General Shareholders' Meeting decided to cover the net loss for 2007 from supplementary capital.

The financial statements for the 2007 financial year were submitted in accordance with the law to the National Court Register on 17 April 2008 and submitted for publication in Monitor Polski B on 11 April 2008. The financial statements were published in Monitor Polski B no. 903 on 25 June 2008.

## **3. Details on the authorized entity and the certified auditor acting on its behalf**

The audit of the financial statements was performed based on the agreement of 24 June 2008 concluded between REMAK S.A. and Deloitte Audyt Sp. z o.o. with registered office in Warsaw, ul. Piękna 18, registered under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors. On behalf of the authorized entity, the audit of the financial statements was conducted under the supervision of a certified auditor Wojciech Baucz (No. 10937/7882) at the Company's premises from 29 September to 3 October 2008, from 26 to 30 January 2009 and on 12 February 2009.

The authorized entity was appointed by the Supervisory Board by the resolution of 12 June 2008 based on the authorization included in Article 19 of the Company's Articles of Association.

Deloitte Audyt Sp. z o.o. and the certified auditor Wojciech Baucz confirm that they are authorized to carry out audits and meet the requirements of Article 66 clauses 2 and 3 of the Accounting Act to express an unbiased and independent opinion on the financial statements of REMAK S.A.

#### **4. Availability of data and management representations**

The scope of our audit was not limited.

During the audit, all necessary documents and data as well as detailed information and explanations were provided to the authorized entity and the certified auditor, as confirmed in a written representation of the Management Board of the Company of 12 February 2009.

## 5. Economic and financial position of the Company

Presented below are the main items from the profit and loss account as well as financial ratios describing the financial result of the Company and its economic and financial position compared to previous years.

<u>Main items from the profit and loss account (PLN '000)</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Sales revenues	171,006	224,971	145,132
Operating expenses	(168,975)	(225,261)	(145,454)
Other operating revenues	1,054	933	868
Other operating expenses	(780)	(837)	(1,122)
Financial revenues	4,177	346	94
Financial expenses	(696)	(2,699)	(1,300)
Income tax	(1,074)	(287)	108
Net profit (loss)	4,711	(2,834)	(1,674)
<u>Profitability ratios</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
– gross profit margin	3.4%	-1.1%	-1.2%
– net profit margin	2.8%	-1.3%	-1.2%
– net return on equity	16.3%	-9.0%	-5.0%
<u>Effectiveness ratios</u>			
– assets turnover ratio	1.85	2.56	1.90
– receivables turnover in days	87	55	76
– liabilities turnover in days	31	27	30
<u>Liquidity/Net working capital</u>			
– debt ratio	64%	67%	59%
– equity to fixed assets ratio	36%	33%	41%
– net working capital (PLN '000)	18,205	15,483	31,220
– current ratio	1.33	1.28	2.14
– quick ratio	1.33	1.28	2.14

The analysis of the above figures and ratios identified the following trends in 2008:

- an increase in profit margins and return on equity;
- a decrease in assets turnover ratio;
- an increase in receivables and liabilities turnover in days;
- a decrease in the debt ratio;
- an increase in liquidity ratios.

## II. DETAILED INFORMATION

### 1. Evaluation of the accounting system

#### Accounting system

The Company has valid documentation describing the accounting principles (policy) applied, including in particular: definition of the financial year and reporting periods thereof, methods of measurement of assets and liabilities, and determining the financial result, method of keeping the accounting records and the system of data and file protection. The documentation of the accounting policy was developed in line with the Accounting Act and approved for use since 1 January 2002 by resolution No. 26/2002 issued by the Management Board on 26 June 2002. Changes in the accounting policy arising from amended accounting and tax regulations have been introduced by separate resolutions of the Company's Management Board.

The accounting principles adopted by the Company comply with the Accounting Act. The introduction to the financial statements gives a description of the basic measurement principles applied to assets and liabilities plus equity as well as principles of measurement applied to the financial result.

The Company uses the FK accounting system by INFRA, where all business transactions are booked except for tangible asset records kept in AMOR system and payroll and related charges kept in TETA system. The above systems are password protected against unauthorized access and have functional access controls. The description of the IT system complies with the requirements of Article 10 clause 1 point 3 letter c) of the Accounting Act.

The opening balance resulting from the approved financial statements for the previous financial year was properly introduced into the accounting records of the audited period.

In the part we have audited, the documentation of business transactions, the accounting records and the relationships between the accounting entries, documents and the financial statements comply with the requirements of section 2 of the Accounting Act.

The accounting records and vouchers, the documentation of the accounting system and the approved financial statements of the Company are stored in compliance with section 8 of the Accounting Act.

The Company performed a physical count / reconciliation of assets and liabilities within the scope, timing and frequency provided for in the Accounting Act. Identified differences were recorded and settled in the accounting records for the audited period.

### 2. Information on the audited financial statements

The audited financial statements were prepared as at 31 December 2008 and include:

- introduction to the financial statements;
- balance sheet prepared as of 31 December 2008, with total assets and liabilities plus equity of PLN 92,218 thousand;
- profit and loss account for the period from 1 January 2008 to 31 December 2008, disclosing a net profit of PLN 4,711 thousand;

- statement of changes in equity for the period from 1 January 2008 to 31 December 2008, disclosing an increase in equity of PLN 4,823 thousand;
- cash flow statement for the financial year from 1 January 2008 to 31 December 2008, showing a cash inflow of PLN 1,524 thousand;

The structure of assets and liabilities as well as items affecting the financial result has been presented in the financial statements.

### **3. Information on selected material items of the financial statements**

#### Tangible fixed assets

The Company's tangible fixed assets include:

- fixed assets in the amount of PLN 15,895 thousand;

The notes of additional explanations and information to the financial statements correctly describe changes in fixed assets and fixed assets under construction, including disclosure of any revaluation write-downs on such assets.

#### Structure of receivables

The ageing analysis of trade receivables has been correctly presented in the respective explanatory note. The audited sample did not include expired or redeemed receivables.

#### Liabilities

The liabilities structure by type and currency was correctly presented in the respective explanatory note.

Key items in the Company's liabilities include:

- trade liabilities in the amount of PLN 9,042 thousand.
- tax, customs, insurance and other liabilities in the amount of PLN 7,510 thousand.

#### Prepayments, accruals and provisions for liabilities

The structure of prepayments and accruals as well as provisions for liabilities has been correctly described in respective notes.

Expenses and revenues recognized over time have been correctly classified in relation to the audited financial period.

Provisions for liabilities have been determined in reliably estimated amounts.

The items have been recognized completely and correctly in all material respects in relation to the financial statements as a whole.

Prepayments and accruals arising from contract settlement based on level-of-completion method are as follows:

Deferred income – PLN 10,536 thousand

Prepayments – PLN 3,758 thousand

Deferred income (liabilities plus equity) – PLN 24,066 thousand

Accruals – PLN 3,106 thousand

Under accruals, the Company presented a provision for losses due to uncompleted services in the amount of PLN 38 thousand.

**4. Completeness and correctness of drawing up the introduction to the financial statements, additional information and explanations and the report on the activities of the Company**

The introduction to the financial statements includes all information required under Attachment no. 1 to the Accounting Act. The Company confirmed the validity of the going concern principle followed while drawing up the financial statements. The introduction gives a correct and complete description of measurement principles applied to assets and liabilities plus equity, principles of measurement of the financial result and preparation of the financial statements.

The Company prepared the additional information and explanations consisting of tabular notes to individual balance sheet and profit and loss account items as well as narrative descriptions. Explanatory notes describing: tangible fixed assets, intangible assets, investments, liabilities and provisions correctly present increases and decreases as well as their basis during the financial year. Limitations imposed on individual assets disclosed in the balance sheet arising from pledges granted to creditors were described.

Additional information and explanations to the financial statements correctly and fully describe reporting items and clearly present other information in accordance with the requirements specified in the Minister's of Finance ordinance of 18 October 2005 on the scope of information disclosed in financial statements and consolidated financial statements, required in the prospectuses for issuers with registered offices in the Republic of Poland, which should apply Polish Accounting Standards (Dz.U. No. 209 item 1743), as well as the Minister of Finance's Ordinance of 19 October 2005 on the ongoing and periodic information provided by the issuers of securities (Dz.U. No 209 item 1744).

The financial statements are supplemented with the Management Board's Report on the activities of the Company in the 2008 financial year. The Report contains all information required under Article 49 clause 2 of the Accounting Act and the Minister of Finance's Ordinance of 19 October 2005 on the ongoing and periodic information provided by the issuers of securities. We have audited the Report with respect to the disclosed information derived directly from the audited financial statements.

**5. Final information and findings**

Management Board's Representations

Deloitte Audyt Sp. z o.o. and the certified auditor received a representation letter from the Company's Management Board in which the Board stated that the Company complied with the laws in force.

.....  
Wojciech Baucz  
Certified auditor  
No 10937/7882

.....  
Represented by

.....  
entity authorized to audit  
financial statements entered under  
number 73 on the list kept by  
National Council of Statutory Auditors

Warsaw, 12 February 2009